

## **NIH Management Control Program Orientation Training**

High performing, results-oriented organizations are managed through a system of management control processes that mitigate the risk so that organizations are able to achieve program or operational goals and objectives. Organizations are accountable for performance and financial information that is reliable, timely, and useful. Managers are accountable for good stewardship of public funds, efficient and effective achievement of their mission, and, in general, for the promotion of the public's trust .

The following information will help you understand the importance of effective controls to the operation of an outstanding organization.

- 1. What are management controls?**  
Management controls are operational checks and balances safeguards, policies and procedures and organization structures that ensure that a task will be carried out as planned in the most efficient and effective way possible. Without strong management controls, there is an increased likelihood of fraud, waste, and mismanagement.
- 2. What do Management Controls try to do?**  
The purpose of management controls is to enhance positive activities such as:
  - maintaining efficiency and effectiveness,
  - achieving desired program results or objectives,
  - complying with laws and regulations,
  - safeguarding resources, and maintaining reliable data for sound decision
- 3. What do management controls try to prevent?**  
Negative factors such as
  - fraud, waste, abuse, and mismanagement, and
  - program deficiencies and material weaknesses.
- 4. What is the difference between management controls and internal controls?**  
There is no difference. The two terms are interchangeable, although *management controls* is the more common term.
- 5. Are management controls new?**  
No. Managers have always used controls to make sure that things are going right.
- 6. Can you give examples?**  
Locking the safe at night; developing a work plan that makes sure a job gets done on schedule; closing grants at the end of project, separating duties and making sure files/data are updated on a timely basis.

7. **What is the Federal Managers' Financial Integrity Act (FMFIA)?**  
FMFIA was enacted by Congress in 1982. It calls on agencies to ensure that effective management controls are in place throughout all government programs and administrative functions.
8. **Why did Congress pass FMFIA?**  
Frequent disclosures in the press and elsewhere of government waste, fraud, abuse, and mismanagement prompted Congress to enact FMFIA.
9. **What is the purpose of FMFIA?**  
To improve management controls so that scarce federal resources are used for their intended purposes.
10. **What are the basic requirements of FMFIA?**  
FMFIA calls upon agency managers to pay close attention to the effectiveness of their management controls and to make sure that adequate and reasonable management control systems are in place and working as intended to achieve
- effectiveness and efficiency of programs and operations,
  - reliability of performance and financial data, and
  - compliance with laws and regulations.
11. **Don't managers already concern themselves with management controls?**  
Good managers always watch their management control systems to make sure that everything is working as it should.
12. **What are some key managers' responsibilities with regard to management controls?**  
Agency managers are responsible for designing, implementing, and managing the management control environment. A successful system of management controls is developed, implemented, and executed in a cost-effective manner and reasonably ensures that
- program performance is routinely analyzed, assessed, and evaluated by management;
  - programs are managed in accordance with applicable laws, regulations, and governmentwide policy requirements;
  - appropriate authority, responsibility, and accountability are delegated and defined;
  - the importance of good controls is communicated throughout the organization;
  - key duties and responsibilities are separated in the authorizing, processing, recording, and reviewing of agency transactions;
  - adequate documentation, supporting transactions, and other significant items are maintained; and
  - transactions are reported accurately to permit the timely and consistent reporting of reliable performance and other information to management for use in decision making.

**13. What are some key management controls?**

- Updated policies and procedures—should be updated at least every 5 years.
- Documentation—significant transactions should be clearly documented.
- Separation of duties—key duties should be separated among individuals.
- Supervision—should be qualified and continuous to ensure objectives are achieved.
- Physical security—should be commensurate with the value of the asset.
- Competency of personnel—employees should have professional integrity and training.
- Training—should ensure competency and knowledge of management controls.
- Internal reviews—ongoing assessments of management control information are essential.
- Management information systems—should give continuous feedback on status of controls.

**14. What are some examples of management controls for a programmatic activity such as grant administration?**

- Requiring positive evidence that grant applicants meet all eligibility requirements.
- ensuring that the proper distribution formula is used for entitlement grants;
- establishing controls to prevent duplicative payments or payments in excess of established maximums; and
- requiring grantees to verify that grant funds are used for their intended purpose.

**15. Are there any special procedures called for by FMFIA?**

Two activities called for by FMFIA are of primary interest to most managers: **risk assessments** and **management control reviews**.

**16. What is a risk assessment?**

A risk assessment is a simple evaluation process of the controls used in a particular function or activity, a kind of “what could go wrong” exercise.

**17. Is a risk assessment time-consuming?**

No. Risk assessments, on average, should not take more than a couple of hours. They should be performed only once and updated if a major change occurs—such as a major increase in funding or the implementation of a new automated system—or if a major problem is identified.

**18. What is a management control review?**

Management control reviews are detailed evaluations of the system of management controls used by a particular function or activity. Management

control reviews help determine whether controls are adequate and are working as intended and whether new controls are needed. If everything is working properly, the likelihood of fraud, waste, and mismanagement is minimized.

**19. Does the discovery of a control weakness within a program activity or administrative function mean that the manager of that activity is doing a bad job?**

No. There are many reasons for control weaknesses, including insufficient resources, lack of trained personnel, mandated timetables that do not allow enough time to devise and test effective management controls, and the inability to control or influence external factors.

**20. What is the FMFIA self-assessment concept?**

A primary component of FMFIA is the ongoing assessment of risk to determine susceptibility to waste, fraud, abuse, and mismanagement. The activity is carried out by managers who assess the risks of their own operations to fraud, waste, and abuse.

**21. Isn't it unrealistic to expect managers to "blow the whistle" on themselves and rate their activity as high-risk?**

No. A high-risk assessment does not reflect on a manager's ability. By identifying an activity or function as high-risk, the manager stands a better chance of obtaining the resources that are needed to lower the risk, if additional resources are needed.

**22. Don't management controls pertain only to administrative activities?**

That is a misconception. Management controls over administrative and financial resources are important, but programmatic controls are equally important. Managers of administrative and programmatic activities are responsible for establishing the necessary management controls to ensure that management's objectives are achieved efficiently and effectively.

### **For More Information**

For detailed information and advice on implementing FMFIA at NIH, contact Rob Weymouth, NIH Management Control Coordinator and Director of the Division of Quality Management within the NIH Office of Management Assessment, at x26350 or by email: [RW10o@nih.gov](mailto:RW10o@nih.gov).

A link to the NIH Manual Chapter on the NIH Management Control Program is at

<http://www1.od.nih.gov/oma/manualchapters/management/1750/>